

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 234 - HB 602

February 23, 2017

SUMMARY OF BILL: Exempts attorneys who are legally forbidden from practicing law from paying the occupational privilege tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – Exceeds \$231,900

Increase Local Revenue – Exceeds \$3,300

Assumptions:

- Pursuant to Tenn. Code Ann. § 23-3-102, judges and chancellors are prohibited from practicing law in any of the courts of this state.
- Based on the Judicial Ethics Committee advisory opinion 07-01, it is assumed that part-time municipal court judges, with municipal ordinance jurisdiction only, are not prohibited from practicing law.
- Pursuant to Tenn. Code Ann. § 16-3-804(b), the administrative director of the courts and employees of the state court system are prohibited directly or indirectly engaging in the practice of law in any courts of the state.
- Pursuant to Tenn. Code Ann. § 8-7-104, district attorneys general are prohibited from engaging in the practice of law.
- Based on information provided by the Department of Revenue and the Administrative Office of the Courts (AOC), it is estimated that a minimum of 600 individuals will be exempt from paying the occupational privilege tax as a result of this bill.
- Pursuant to Tenn. Code Ann. § 67-4-1703(a), occupational privilege tax is a \$400 annual tax on persons engaging in certain occupations in Tennessee as specified in Tenn. Code Ann. § 67-4-1702, due and payable on June 1 of each year. The first year impacted by this bill will be FY17-18.
- Pursuant to Tenn. Code Ann. § 67-4-1701, privilege tax collections are required to be deposited to the General Fund.
- Pursuant to Tenn. Code Ann. § 67-4-1709, any employer, including any governmental entity, is authorized to remit the occupational privilege tax on behalf of persons subject to the tax who are employed by such employer.

- AOC reports that the state does not pay the privilege tax on behalf of trial or appellate court judges. It is assumed that local governments are not paying the tax for municipal court judges.
- The recurring decrease in state revenue is estimated to exceed \$240,000 ($600 \times \400).
- Fifty percent of tax savings, or a minimum of \$120,000, will be spent in the economy on sales-taxable goods and services.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The net recurring increase in state sales tax revenue is estimated to exceed \$8,096 $[(\$120,000 \times 7.0\%) - (\$120,000 \times 7.0\% \times 3.617\%)]$.
- The total recurring increase in local sales tax revenue is estimated to exceed \$3,304 $[(\$120,000 \times 2.5\%) + (\$120,000 \times 7.0\% \times 3.617\%)]$.
- The net recurring decrease in state revenue as a result of this bill is estimated to exceed \$231,904 ($\$240,000 - \$8,096$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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